



SUCCESS STORY

Helping Yemen Enhance Aid Effectiveness

LGMIS Aims to Increase Aid Efficiency, Transparency, Accountability, and Stakeholders' Satisfaction



EGE Yemen Project

The Minister of Finance officially launched the new disbursement system in a high-level ceremony held on May 10, 2010. It was attended by more than 80 guests from various ministries (MOF, MOPIC, CBY, Education, Agriculture and Health); donor representatives from (USAID, World Bank, Dutch, UNDP, and Japan) and other GOY agencies.

Yemen is at a critical juncture in its history. The gravity of its political, economic, and social challenges requires that it mobilize all available resources and ensure that they are effectively utilized to implement the country's development agenda. Through the EGE project, USAID supported the design and installation of the pioneering Loans and Grants Management Information System (or LGMIS).

Yemen's inability to disburse funds costs the country money. The country's government paid \$5 million in commitment fees between 2005 and 2008 for undisbursed loans, according to the Ministry of Finance. Donors pledged \$5 billion in aid to Yemen in November 2006. However, the government was able to disburse only 20 percent of the pledged funds due to a number of challenges, including weak capacity, low pay, poor training, and inadequate policies among government ministries. USAID is funding the Enhancing Government Effectiveness (EGE) project to help the government improve its record in this area.

Starting in December 2008, the EGE project conducted assessments of the institutional effectiveness of Yemen's ministries of Finance, Health, Agriculture and Education. The assessments identified critical problems, including delays and inadequate information in the disbursement process of development loans and grants, high operating costs for carrying out donor-funded projects, high fees paid by Yemen's government on unused development loans, and weak capacity and lack of incentives for staff to manage development projects.

"The USAID assessment in 2008 helped us pinpoint the bottlenecks in our disbursement system. It helped us prioritize and focus on the key factors that would allow us to be a good steward of the assistance given to Yemen," said Hani Enan, director general of external grants at the Ministry of Finance.

Since then, the project, which is carried out by Management Systems International, has been working to reverse many of the problems that contributed to the aid bottlenecks. One major achievement of the EGE program has been the design and installation of the Loans and Grants Management Information System (LGMIS), which helps Yemeni officials manage multilateral and bilateral aid, improving efficiency, transparency, and accountability. In two months of using LGMIS, the time required for disbursing assistance was reduced from a range of 35 to 40 days down to five to seven days.



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The World Bank is allocating \$3.5 million over three years to scale up the system to cover all sectors proposed by the Ministry of Finance.

LGMIS is complemented by the internationally secure financial transaction and interbank system SWIFT, making Yemen only the third country in the Middle East and North Africa region to use this service.

The LGMIS-SWIFT integration reduces paperwork, eliminates the time required for the document to travel between Ministry of Finance and the Central Bank, and avoids human errors in settling government payables.